Remuneration report

I am delighted to have joined the Whitbread Board at the beginning of 2017, and to have succeeded Stephen Williams as Chair of the Remuneration Committee on 1 March 2017. 2016/17 was a busy year for the Committee.

Deanna Oppenheimer
Chair, Remuneration Committee

Introduction
The remuneration policy, which was approved by shareholders in 2014, is reaching the end of its three-year life. Coupled with Alison Brittain announcing the three strategic priorities for the Group this time last year, the time was right for a detailed review of Whitbread's remuneration policy.

I would like to thank Stephen for his work chairing the Committee over the last three years and for the support he has provided to me as I take on the role. Stephen has kindly agreed to remain on the Board and the Remuneration Committee until the AGM and both he and I will be available to answer shareholders' questions on remuneration at the meeting. This will provide us with a six-month period during which we will both be members of the Committee.

I fully support the outcome of the policy review and, while much of the work on the new policy took place before I joined Whitbread, I attended the Committee meetings since January at which the feedback from our shareholders was carefully considered and the updated policy agreed. Having completed our consultation with our major investors, we will be putting the updated policy to shareholders for approval at the AGM in June 2017.

The new policy is an evolution of the existing policy and we have only made changes where we believe they are essential in the context of the strategic priorities of the business. Our philosophy is to align remuneration directly with the Company's strategy and its business plans. Importantly, there will be no changes to maximum award levels or holding periods, and both malus and clawback clauses will continue to apply to both incentive schemes.

Our philosophy
The updated remuneration policy reflects our philosophy that executives should be paid fairly, that they should be incentivised to achieve outstanding results, rewarded for doing so and that targets should be stretching enough so as to avoid large payouts for mediocre performance. The Committee is very aware of the significant attention on executive remuneration and of our responsibilities to all Whitbread's stakeholders. We are also aware of the need for Whitbread to be competitive in the employment market, so that the Company is able to attract and retain high-calibre executives with appropriate experience.

I believe that we have the right balance and this is demonstrated by the fact that rewards under the Annual Incentive Scheme this year are slightly less than 50% of maximum, when Whitbread has once again achieved a good performance, with underlying profit before tax increasing by 6.2% to £565.2 million.

Shareholder engagement
The Committee has consulted with Whitbread's major investors, along with Glass Lewis, ISS and the Investment Association, twice this year. The first consultation was in relation to the revised structure of the Company's remuneration policy and the second was in connection with changes to the LTIP performance conditions. These consultations have been very helpful to us as we have formulated both policy and targets for the future and I would like to thank all those who responded to the consultations for their time and input. Following feedback, as mentioned above, we have decided to improve the disclosure in relation to the targets, particularly in relation to the Annual Incentive Plan. We have also taken the opportunity to extend the circumstances in which clawback and malus conditions would apply to include a situation where material damage is done to the Company's reputation. More details on these consultations can be found in the sections below.

Greater transparency
As I mentioned above, during the recent consultations, a number of our shareholders stressed the importance of good disclosure and transparency. As a result of the feedback we received, we have decided that wherever possible, we will disclose the incentivised targets. Last year, for the first time, we retrospectively disclosed our profit target and committed to disclose the 2015/16 target in this report. This disclosure can be found on page 88. As a result of the shareholder feedback, we have given some thought to how we can improve the transparency of our targets still further and have now decided to disclose our 2016/17 profit target in addition to 2015/16 target. This can also be found on page 88.

We have also included a new table in the section of the report on key performance indicators on pages 16 to 19, which brings greater clarity to the targets set for incentivised measures.

Updated policy
During the past year, the Committee's activities have been dominated by a detailed review of Whitbread's remuneration policy. The review started at the beginning of 2016 and, shortly afterwards, Alison Brittain set out her three strategic priorities for the Group:

- to grow and innovate in the UK;
- to focus on Whitbread's strengths to grow internationally; and
- to build the capability and platform to support future growth.

(See pages 8 to 13 for more information on Whitbread's strategy.)

The Committee set out to propose a policy, which is designed to align remuneration structures directly with strategy, while retaining the key measures which shareholders have indicated are most critical to them. With this in mind, the Committee agreed certain changes to the incentive schemes in order to align them more closely to the longer-term strategy, taking account of the business context in which we are operating, and to simplify their operation.

In particular, we identified that the Annual Incentive Scheme was weighted too heavily towards in-year profit and that the LTIP performance measures were overly complex. During the latter part of 2016, Stephen Williams wrote to our 20 largest shareholders as well as a number of proxy advisers in order to get their views on the proposed changes to the remuneration policy. Respondents were generally pleased with the simplification of the LTIP and accepted the rationale for the re-alignment of the Annual Incentive Scheme to include greater focus on the longer-term strategy.

The changes that we propose to the existing scheme structures are as follows:

Annual Incentive Scheme
The Annual Incentive Scheme will be rebalanced, such that executives are focused as much on driving the longer-term strategic aims as they are on in-year profit. This is particularly important for Whitbread as the Company invests significant capital into maintaining the strength of its brands. It is proposed that 50% of the annual incentive be payable based on in-year profit, with the remaining 50% split equally between:

- financially orientated, objective and measurable individual strategic objectives, linked to Whitbread's measurable long-term goals; and
- objectively determined WINcard measures, to include team retention and customer measures, which are all critical leading indicators of the future financial performance of the Group.

We received a number of questions during the consultation with shareholders about the kind of strategic measures which we will adopt for the executive directors. Shareholders were keen to make sure that the targets were clear and tangible and closely linked to the delivery of profit in the business. The Remuneration Committee agrees that the targets must be tangible, stretching and objectively measurable and aligned with the three-point strategy for the Group referred to earlier. A table showing these changes is set out below, using Alison Brittain's strategic objectives as an example. Information on the strategic objectives for all of the executive directors is provided on page 97.

We do not propose to make any changes to the quantum of awards and clawback and malus clauses will continue to apply. We propose that 50% of all short-term incentives will be deferred in shares, which are released after a three-year period (the deferral amount currently varies depending on the measure, and in recent years has been around the 50% mark).

Long Term Incentive Plan
We plan to simplify the scheme by removing the matrix relationship between the two LTIP measures and moving to two equally weighted and independently measured components of EPS and ROCE. Again, we do not propose that there be any increase in the maximum level of award. The awards will still be subject to a two-year post-vesting holding period and clawback and malus clauses will continue to apply.

Whitbread is investing substantial sums of capital in its business to provide strong future growth. ROCE remains a critical measure of performance for shareholders, and no changes to the ROCE ranges, which will remain at 13% to 18%, are proposed.

Annual Incentive Scheme – performance targets[1]

Objective	Target	Proportion of maximum opportunity
Annual profit growth	Underlying profit before tax	50%
Individual strategic objectives:		
UK growth	Growth in Premier Inn rooms, Costa stores, Costa Express machines and Group like for like sales	25%
International growth	Growth in German hotel pipeline and Costa China	
Cost efficiency	Achieve the in-year efficiency plan	
WINcard measures	Team retention	25%
	Customer heartbeat	

1 The individual strategic objectives shown in the table are those of Alison Brittain. The objectives set for the other executive directors can be found on page 97. The annual profit growth target and the WINcard measures are consistent for all three executive directors.

Remuneration report continued

In relation to the EPS measure, the current range in the policy is RPI + 4% at threshold to RPI + 10% at maximum payout. As articulated earlier in the Annual Report, Whitbread has benefitted from a period of sustained growth in the last five years. While the Group plans to continue growing for the long term, as outlined in detail to shareholders at the Capital Market Day in November 2016, current investment is required to deliver long-term growth and the Committee has reflected those financial plans in setting the LTIP targets.

In addition, as we move into a period of more economic uncertainty, the Committee believes that having RPI as part of the calculation will introduce undue volatility into the measure and could result in extreme upside or downside impact on payouts, which bear no correlation to the underlying performance of the business. For these reasons, we believe now is the right time to move away from using RPI as part of the EPS measure. Having carefully considered the business plans of the Group and current consensus estimates, we propose to leave the range at 4% to 10% EPS growth. For more information on the background to this proposal, please see the Chairman's statement on page 5, the strategy section on pages 8 to 13 and the Group Finance Director's review on page 55.

Set out below is a table which summarises the proposed new structure of the LTIP performance conditions:

LTIP Measure	Target Range	Entitlement (% of max)
EPS growth	4% to 10% CAGR	50%
Return on Capital Employed	13% to 18%	50%

We have also removed the ability to provide an additional joining award of up to 200% of salary on recruitment and limited any awards to those needed to compensate a joiner for the loss of awards from the previous employer.

Other remuneration
No changes have been made to the policy approved in 2014 in relation to the base salary, pension or benefits of executive directors.

This report
The policy report, which follows this statement, sets out details of the remuneration structure, which shareholders will be asked to approve at the 2017 AGM. The annual report on remuneration explains what directors were paid in 2016/17, including the awards under the incentive schemes, and also gives some detail on how our policy will be implemented in 2017/18 in the event that it is approved by shareholders.

I look forward to working with my colleagues on the Board and the Remuneration Committee and to meeting shareholders at the AGM in June.

Deanna Oppenheimer
Chair, Remuneration Committee
24 April 2017

The statements below, the remuneration policy report and the annual report on remuneration form the directors' remuneration report, which was approved by the Board and signed on its behalf by Deanna Oppenheimer on 24 April 2017.

Linkage between strategy and incentives

Winning Teams

Measure
- Team retention
- Health and safety (gateway)

Scheme
- Annual Incentive Scheme

Customer Heartbeat

Measure
- Premier Inn brand health
- Restaurants net recommend
- Costa net recommend
- Health and safety (gateway)

Scheme
- Annual Incentive Scheme

Profitable Growth

Measure
- Underlying basic EPS
- Return on capital
- Underlying profit before tax
- Brand expansion
- Like for like sales

Scheme
- LTIP
- Annual Incentive Scheme

Everyday Efficiency

Measure
- Delivery of in-year efficiency plan

Scheme
- Annual Incentive Scheme

Remuneration policy report

Introduction

This report outlines the Company's remuneration policy, which shareholders will be asked to approve at the 2017 AGM. Subject to shareholder approval, the policy will be effective from the date of the 2017 AGM and is intended to apply for three years.

For executives, our approach continues to be designed so as to:

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value;
- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and
- encourage a high-performance culture by ensuring performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

The policy table below provides more detail on each key element of remuneration, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

Future policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	• Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: • the salary review across the Group; • trading circumstances; • personal performance, including against agreed objectives; and • market data for an appropriate comparator group of companies.	• Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. • On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and the Committee judges that there is a risk in relation to attracting or retaining executives. • Where the Committee exercises its discretion to award increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	• None
Benefits	• Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executives.	• Executive directors are entitled to benefits relating to car, healthcare/personal insurances. • In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, re-imbursement of expenses for temporary accommodation, travel and legal financial assistance.	• In 2016/17 the benefits received by the executive directors amounted to between 2.8% and 5.4% of salary. We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	• None

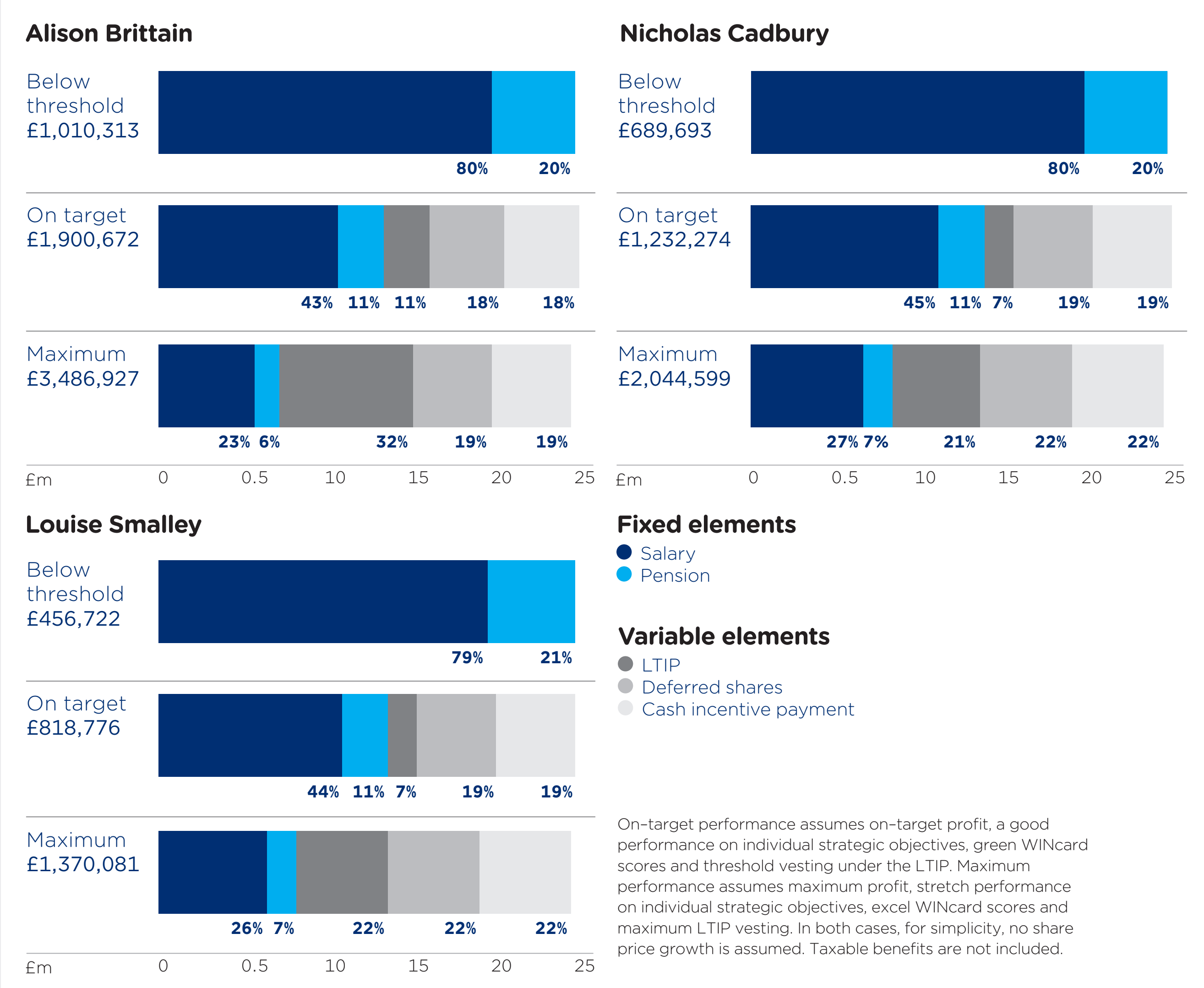
Remuneration policy report continued

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme	• To provide a direct link between annual performance and reward. • To incentivise the achievement of outstanding results across appropriate key stakeholder measures. • To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	• Targets for measures set at the beginning of the financial year. • Cash awards paid following the end of the financial year. • Deferred shares awarded following the end of the financial year and, under normal circumstances, released three years after the date of award. • Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards in the event of a material misstatement of results.	• 167% of base salary (up to 50% of maximum paid in cash and up to 50% of maximum paid in deferred shares).	• Awards are payable based on three weighted areas covering underlying profit performance, individual strategic objectives and performance against selected team and customer related measures from the WINcard (the Group's balanced scorecard). Performance measures under each area are determined annually and the Committee retains the discretion to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. • For 2017/18, the weighting of the annual incentive award will be based on 50% underlying profit performance, 25% on individual strategic objectives and 25% Customer Heartbeat/Winning Teams measures from the WINcard.
Long Term Incentive Plan	• To align the interests of senior executives closely with sustainable long-term shareholder value creation. • To focus rewards on both the sustained delivery of absolute long-term earnings growth and the efficient use of capital over the long term. • To retain and motivate executives over the performance period of the awards and beyond.	• Awards made annually in shares. • Awards vest after three years subject to performance conditions. • Two-year holding period post-vesting. • Dividend equivalents may be provided on vested shares during a holding period. • Subject to clawback and malus provisions.	• Annual awards to a maximum of 200% of base salary.	• Vesting is based on equally weighted and independently measured 3-year EPS and ROCE performance. For threshold performance, 20% of the award will vest; for maximum performance, 100% of the award will vest. The Committee retains the discretion to introduce additional measures or adjust the weighting of performance measures in the future based on prevailing business needs. Any material changes will be discussed with shareholders in advance.
Sharesave Scheme	• To encourage long-term shareholding in the Company	• Annual invitation to all employees, including the executive directors • Option price calculated by reference to the market price discounted by 20% on the invitation date. • Options granted over a three and/or five-year period.	• Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	• None
Pension	• Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	• Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). • Defined contribution scheme. • Can elect for cash in lieu of pension contributions. • If cash is taken, the amount is reduced by the value of the employer's national insurance liability.	• 27.5% of base salary (up to 25% for new joiners).	• None

Illustration of application of remuneration policy

The graphs below show how the remuneration policy will be applied in 2017/18, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance.

Executive directors – potential value of 2017/18 package



On-target performance assumes on-target profit, a good performance on individual strategic objectives, green WINcard scores and threshold vesting under the LTIP. Maximum performance assumes maximum profit, stretch performance on individual strategic objectives, excel WINcard scores and maximum LTIP vesting. In both cases, for simplicity, no share price growth is assumed. Taxable benefits are not included.

Performance measures

With the exception of base salary, benefits, pension and participation in the Sharesave scheme, all other elements of the remuneration packages of the executive directors are linked to performance.

Annual Incentive Scheme

The Annual Incentive Scheme has been designed to incentivise outstanding performance across a number of key stakeholder measures and it rewards approximately 90 executives with both a cash payment and an award of deferred shares. The scheme operates over a four-year period as follows:

- performance in the first year is measured against the three performance areas to determine the level of awards;
- measures are set by the Remuneration Committee so that on-target performance is challenging;
- at the end of the first year, cash payments are made and any deferred shares are awarded as appropriate;
- there is a three-year deferral period for the deferred shares before they vest to the executive; and
- malus provisions apply to the deferred share awards in the event of a material misstatement of results, with clawback provisions applying to cash awards.

There are three types of measure used to determine the level of awards under the scheme. There is a profit measure, a number of WINcard measures (or other stakeholder measures as may be deemed appropriate by the Committee) and some personal strategic objectives. The strategic individual objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives, and will be reviewed in advance by the Committee. Targets are set taking into account the business plan, and the link between targets and the Group's strategy can be seen on page 80.

Remuneration policy report continued

Long Term Incentive Plan
For the LTIP, the performance conditions will be structured as follows:

- 50% of maximum awards are dependent on EPS growth over the three-year performance period;
- 50% of maximum awards are dependent on ROCE performance achieved in the final year of the performance period;
- awards will be subject to clawback and malus provisions, applying in circumstances such as a material misstatement of results; and
- a two-year post-vesting holding period will apply.

These performance conditions were selected because the Committee believes that they closely align the LTIP with the strategic aims of the Group; to grow its leading brands whilst delivering returns in excess of the cost of capital in order to create significant shareholder value. The performance targets for awards to be made in future years will be determined by the Remuneration Committee at the time each award is made taking account of available information at that time, including internal budget forecasts, external expectations and market practice, and the need to ensure that targets remain motivational.

Changes to the remuneration policy in 2016/17

With the exception of the changes to the Annual Incentive Scheme and the LTIP, which are outlined on pages 79 and 80 and will form part of the policy to be put to shareholders for approval at the AGM in June, no significant changes to the remuneration policy have been made during the year. Other minor changes have been made in order to provide greater clarity and to improve the operation of the policy.

Service contracts and external appointments

The key terms of the executive directors' service contracts are as follows:

- notice period – six months by the director and 12 months by the Company;
- termination payment – see policy on payment for loss of office below;
- sickness – full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete – for six months after leaving.

The dates of the executive directors' service contracts, which can be found on the Company's website (www.whitbread.co.uk/global/download-centre/corporate-governance.html), are as follows:

Alison Brittain	21 May 2015
Nicholas Cadbury	3 September 2012
Louise Smalley	25 October 2012

The executive directors are entitled to retain fees from external directorships.

Policy on payment for loss of office

Base salary and contractual benefits
All of the executive directors have a rolling service contract with a 12-month notice period from the Company. The Company may make a payment in lieu of notice to include up to 12 monthly payments of base salary and the cash equivalent of pension contributions. The Company may either allow for contractual benefits to continue during this time or, at its sole discretion, pay the value of those benefits on a monthly basis. Neither notice nor payment in lieu of notice would be given if a director left by reason of gross misconduct.

A director is under a contractual duty to mitigate his or her position by actively seeking an alternative remunerated position and the Company will make a corresponding reduction in any payment made for loss of office. Where a payment in lieu of notice is not applicable, the payment of salary and contractual benefits would cease on the individual's leaving date.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with his cessation of office or employment.

Annual Incentive Scheme
If a director leaves the Company for a 'permitted reason' under the rules of the scheme (or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined on page 86 of this report), the default position would be that deferred shares would vest on the date of leaving and a pro-rated cash award would be made for the incentive year. No new deferred shares would be awarded and the director would receive a pro-rated cash payment in lieu of the deferred shares. Notwithstanding the above, the Committee has the discretion to make a deferred shares award for the incentive year, with such award due to vest at the same time as the awards made to continuing employees for that year.

If a director leaves the Company for any other reason, 25% of an outstanding award of deferred shares would vest if the leaving date was between one and two years from the date of grant and 50% of an outstanding award would vest if the leaving date was between two and three years from the date of grant. Any other unvested deferred shares would lapse on the date of leaving. The director would receive no cash incentive payment for the financial year in which they leave and no deferred shares would be awarded.

In the event that a director was to leave the Company by reason of gross misconduct, or in circumstances in which the reputation of the Company is materially damaged, the malus provisions may be applied, in which case, no deferred shares would vest.

Long Term Incentive Plan
If a director leaves the Company for a 'permitted reason' under the rules of the plan (or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined on page 86 of this report), the default position would be that any unvested LTIP awards would be pro-rated for time served. Performance would be tested at the end of the standard three-year performance period and the pro-rated awards would vest at the same time as for continuing employees. No LTIP award would be made in the final year of employment if the Company was aware that the director would be leaving at the point that awards are made.

If a director leaves the Company for any other reason, any unvested LTIP awards would lapse at the date of leaving. Vested, but unexercised, LTIP awards (including those subject to a holding period) would be exercisable for the latter of six months from the date of leaving or six months from the end of the holding period.

In the event that a director was to leave the Company by reason of gross misconduct or in circumstances in which the reputation of the Company is materially damaged, the clawback and/or malus provisions may be applied.

Approach to remuneration on recruitment

Our approach to recruitment is that remuneration should be set in line with the policy table on pages 81 and 82. Whilst we would not seek to vary this approach there may be circumstances in which it is necessary to do so.

On the appointment of a new executive director, base salary levels will be set taking into account a range of factors including experience and expertise, internal salaries, market levels and cost. If an individual is appointed on a base salary below the market positioning contingent on individual performance, the Committee retains the discretion to realign base salary over the one-to-three years following appointment which may result in a higher than normal rate of annualised increase, with any such increase aligned to internal policies. If the Committee intends to rely on this discretion, it will be noted in the first directors' remuneration report following an individual's appointment.

Other elements of annual remuneration will be set in line with the policy set out in the policy table. As such, variable remuneration will be capped at 167% of salary under the Annual Incentive Scheme and an award of up to 200% of salary under the Long Term Incentive Plan. The following exceptions will apply:

- in the event that an internal appointment is made, the Committee retains the discretion to continue with existing remuneration provisions relating to pension and benefits;
- as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation; and
- the Committee may also make an additional award of cash or shares on appointment of a new director in order to compensate for the forfeiture of an award from a previous employer. Such awards would be on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The Committee will normally set appropriate performance conditions and vesting would generally be over a similar timeframe to awards forfeited. The Committee would take into account the strategy at Whitbread and may also require the appointee to purchase shares in Whitbread to a pre-agreed level prior to vesting.

Service contracts will be entered into on terms similar to those for the existing executive directors, summarised in our service contract policy section. However, if necessary the Committee would authorise the payment of a relocation allowance and repatriation, as well as other associated international mobility terms or agree terms appropriate to the local market for a director based overseas.

With respect to the appointment of a new Chairman or non-executive director, the approach will be consistent with that currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to non-executive directors, fees will be consistent with policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and/or housing could be considered.

A timely announcement with respect to any director appointment will be made to the regulatory news services and posted on Whitbread's website.

Comparison of executive remuneration policy with wider employee population

This section of the report describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population. The Committee consulted with employees in relevant roles when developing the directors' remuneration policy.

Base salary
All employees, including the executive directors, receive an annual review of base salary. Under normal circumstances the annual increase in salary for an executive director will be in the same range as the increase for employees across the Group.

Benefits
Approximately 1,000 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale with employees on higher grades receiving a larger allowance. The executive directors are no longer entitled to a company car under this scheme, but are entitled to receive cash in lieu of a car.

Approximately 2,600 employees are entitled to participate in the Group's private healthcare scheme, with 1,100 of these, including the executive directors, entitled to family cover. In addition, a small number of senior executives, including the executive directors, are entitled to annual health screening.

All employees receive discounts on Company products, but the directors have waived their right to this benefit. Employees, including the executive directors, have access to subsidised restaurants within the Company's offices in Dunstable and Luton and to free Costa coffee within the Company's offices.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms. The Company has shareholder approval to extend its share schemes overseas and the Remuneration Committee retains the discretion to establish a Sharesave scheme outside of the UK in the future.

Annual Incentive Scheme
Approximately 6,250 employees are eligible to receive an annual incentive payment linked to the achievement of profit and WINcard targets. The majority of participants are entitled to earn a maximum annual incentive payment of 10% of salary paid in cash. As employees progress into more senior roles, the maximum payment that can be achieved rises to 40%. Approximately 90 executives, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 167%.

Approximately 200 employees, including the executive directors, are given individual strategic objectives in addition to the profit and WINcard targets mentioned above.

Long Term Incentive Plan
Approximately 50 executives, including the executive directors, participate in the LTIP. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Remuneration policy report continued

Pension
Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. The levels of contribution from the Company vary depending on the job grade of the individual, with employees at the entry level able to choose a 5% contribution level, of which 2% is paid by the employee and 3% by the Company. Contribution level choices rise with seniority. Approximately 45 executives receive between 15% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations.

The policy on pension contributions for executive directors is that there is an upper limit for Company contributions of 27.5% of salary. In 2013, the upper limit for new joiners was reduced to 25%. This contribution can be allocated to pension, or taken as cash.

Consideration of shareholder views
We contacted our twenty largest investors, as well as Glass Lewis, ISS and the Investment Association, in October 2016 to consult on proposed changes to our remuneration policy. A further consultation was carried out in February 2017 in relation to the proposed LTIP targets for the 2017 awards.

The responses received to both consultations were broadly positive and supportive and, as a result, no changes were made to the original proposals although, as a result of shareholders feedback, we have improved our disclosure of targets.

Legacy matters
The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 17 June 2014 (the date the Company's first shareholder-approved directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Remuneration Committee discretion
The Remuneration Committee retains the discretion to apply 'good leaver' terms to leavers in respect of both the Annual Incentive Scheme and the LTIP. In exercising its discretion, the Committee must consider the individual circumstances in the particular case and must not exercise its discretion in a way which would be discriminatory on grounds of sex, race, age or any other protected characteristic within the meaning of Section 4 of the Equality Act 2010.

The Committee must also, so far as it is able to do so, exercise its discretion in a way which is consistent as between individuals who are in the same position.

Under the rules of the Annual Incentive Scheme, if 'good leaver' terms apply, any deferred share awards vest in full on the date of leaving and may be exercised within six months. Under the rules of the LTIP, the award would vest subject to the satisfaction of performance conditions, at the end of the performance period. The number of shares vesting would be on a pro-rata basis taking account of the proportion of the performance period that the individual had been employed within the Group. The vested award would be exercisable for a period of six months from the date on which the award is declared to be vested. On occasions where the Committee exercises this discretion the participant would be expected to continue to meet the shareholding requirement until the award vests and failure to do so would result in the lapsing of the award. No LTIP grants will be made within the last 12 months of employment to any employee who has requested, and been granted, 'good leaver' status.

In addition, the Remuneration Committee has a number of discretions relating to the appointment of new directors as outlined on page 85.

In exceptional circumstances, the Remuneration Committee has the discretion to amend the profit range (normally between 95% and 110% of target) as well as the split between the awards based on profit measures, individual strategic objectives and other stakeholder measures, and the split between awards paid in cash and deferred shares, for a new incentive year under the Annual Incentive Scheme.

The Committee sets the performance targets for the LTIP and the Annual Incentive Scheme on an annual basis. The Committee may change a performance target from time to time in the event that it considers it fair and reasonable to do so. Any change to an existing performance target must not have the effect, in the opinion of the Committee, of making the target materially easier or materially more difficult to achieve than it was when the award was initially granted.

The Chairman and non-executive directors' fees
Although the fees paid to the non-executive directors are not a matter for the Remuneration Committee, details are provided in this report in order to comply with regulations. The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees.

The fees are reviewed every two years by the executive directors taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies.

The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.

Neither the Chairman nor any of the non-executive directors has a service contract. Non-executive directors have letters of appointment setting out their duties and the time commitment expected of them. Appointments are for an initial term of three years after which they are reviewed and their appointment can be terminated by either party on three-months' written notice. Non-executive directors have no entitlement to compensation on termination. All directors submit themselves for re-election annually. The letters of appointment are available for shareholders to view at the Company's registered office.

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Deanna Oppenheimer[1] (Chair)	**2/2**
Richard Baker	**7/7**
Wendy Becker[2]	**5/5**
Sir Ian Cheshire	**7/7**
Stephen Williams	**7/7**

1 Deanna Oppenheimer joined the Committee on 1 January 2017.
2 Wendy Becker stepped down from the Committee on 31 December 2016.

Key duties
Full terms of reference are available on the Company's website and a summary of the key duties is set out below.

Remuneration Committee – key duties
- Set the broad policy for the remuneration of the Chairman and the executive directors.
- Within the terms of the agreed policy, to determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Remuneration Committee – advisers
Internal advisers
Chris Vaughan – General Counsel
Ruth Hutchison – Group Reward Director
External advisers
Willis Towers Watson, one of the founding members of the Remuneration Consultants Code of Conduct, was appointed remuneration consultant by the Committee following a rigorous tender process and adheres to this code in its dealings with the Committee. Separate parts of Willis Towers Watson provide investment advice and actuarial services in relation to the pension fund and insurance broking services to the Group. Fees paid to Willis Towers Watson in respect of advice received by the Committee amounted to £149,000. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective.

Remuneration Committee agenda – 2016/17
- Approval of Annual Incentive Scheme and targets for 2016/17.
- Approval of awards of cash and deferred shares to executive directors under the Annual Incentive Scheme.
- Executive directors' salary review.
- Approval of 2016 LTIP awards.
- Confirmation of the performance conditions for the 2016 LTIP awards. Confirmation of the vesting percentages for the LTIP award made in 2013 and vesting in 2016.
- Approval of the 2016 remuneration report.
- Approval of updated terms of reference.
- Review of remuneration policy.
- Shareholder consultations on revised policy and LTIP targets.

Annual report on remuneration continued

Single total figure of remuneration (audited information) – executive directors

	Basic salary		Benefits		Annual Incentive Scheme		LTIP		Pension		Total	
Director	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16[1] £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Alison Brittain	**792**	329	**22**	10	**638**	214	**859**	–	**198**	82	**2,509**	635[2]
Nicholas Cadbury	**532**	490	**22**	21	**422**	320	**394**	774	**117**	112	**1,487**	1,717
Christopher Rogers	**73**	538	**3**	22	**126**	384	**–**	937	**18**	130	**220[2]**	2,011
Louise Smalley	**355**	344	**19**	19	**279**	224	**257**	617	**78**	80	**988**	1,284

1 The values of the vesting LTIP awards for 2015/16 have been restated to reflect the actual prices at the date of exercise. These prices are disclosed on page 92.
2 Fees for part of the year

Details of each of the elements included in the table above are as follows:

Base salary
Annual salary increases across the Group are effective from 1 May each year. The base salary numbers shown in the table therefore include two months' pay based on the director's salary from 1 May 2015 and ten months' pay based on the director's salary from 1 May 2016. Christopher Rogers' basic salary is shown up to his leaving date. Alison Brittain's basic salary for 2015/16 was from the date of her appointment in September 2015.

Benefits
The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme
The Annual Incentive Scheme payments shown above include both a cash payment to be made in May 2017 and deferred shares to be issued in April 2017. The awards were calculated as described below.

Awards based on profit measure
The profit target for 2016/17 was £562.5 million and the result was £565.2 million, which was 100.5% of target. The profit range was between 95% of target at threshold and 110% of target at maximum.

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain	**21.5**	**40.0**	**61.5**
2015/16	17.1	32.5	49.7
Nicholas Cadbury	**21.5**	**40.0**	**61.5**
2015/16	17.1	32.5	49.7
Christopher Rogers[1]	**16.3**	**31.0**	**47.3**
2015/16	19.0	35.8	54.8
Louise Smalley	**21.5**	**40.0**	**61.5**
2015/16	17.1	32.5	49.7

1 Christopher Rogers had a 2016/17 profit target made up of a mixture of Group and Costa profit (20% Group, 80% Costa), which resulted in a lower payout than that for the other executive directors. The Costa target was £161.7 million.

The profit target for the 2015/16 financial year was £563.2 million and the result was £557.1 million, which was 98.9% of target. The profit range was between 95% of target at threshold and 110% of target at maximum. The profit target for 2015/16 excluded the cost of Premier Inn Germany, which was in its first year of start up. The result was also adjusted for a change in the asset life of freehold property, which was not considered when the target was initially set. The profit target for Christopher Rogers was a mixture of Group and Costa profit (40% Group, 60% Costa). The Costa target was £154.3 million.

Awards based on WINcard and leadership succession measures
The WINcard targets in 2016/17 were appropriate to the director's role and consisted of Group targets, some of which were a combination of the Costa and Premier Inn & Restaurants measures.

The WINcard incentive results are as shown in the table below:

WINcard measure	% of salary[3]
Winning Teams	
Team turnover	**4.00**
Health and safety[1]	**n/a**
Customer Heartbeat	
Guest recommend	**4.50**
Profitable Growth	
Premier Inn total occupancy	**1.50**
Brand expansion[2]	**0.00**
Like for like sales growth	**0.00**
Costa total system sales growth	**0.75**
Force for Good	
Electricity consumption	**3.00**
Total	
Total 2016/17	**13.75**

1 The health and safety measure acted as a hurdle. If the health and safety score had been red, payouts for the other WINcard measures would have been reduced by 20%. If the score had been amber, a 10% reduction would have applied.
2 The executive directors had a more stretching target of 4,250 rooms for Premier Inn rooms growth, which was not adjusted when the decision to smooth the phasing of room openings was taken and communicated at the Capital Market Day. As a result the brand expansion measure was red for the purpose of incentive payments to the executive directors, but is amber in the key performance indicators on page 18.
3 These results are those for the current executive directors. Christopher Rogers had targets relating to Costa. He received five green scores, which were worth a total of 17.5% of salary, two amber scores, which were worth a total of 3% of salary, and one red score.

More information on the actual targets and outcomes for these measures can be found on pages 16 to 19.

Each executive was also entitled to earn a maximum of 5% of salary based on the achievement of personal leadership succession targets. The results achieved were such that Alison Brittain will receive 5% of salary and each of the other executive directors will receive 3% of salary based on these measures.

As a result, the awards to be made based on WINcard and leadership succession measures are as follows:

Director	% of salary in cash	% of salary in deferred shares	Total % of salary
Alison Brittain	**15.0**	**3.8**	**18.8**
2015/16	12.0	3.0	15.0
Nicholas Cadbury	**13.4**	**3.4**	**16.8**
2015/16	12.0	3.0	15.0
Christopher Rogers	**18.8**	**4.7**	**23.5**
2015/16	12.8	3.2	16.0
Louise Smalley	**13.4**	**3.4**	**16.8**
2015/16	12.0	3.0	15.0

Total awards
The split between cash and deferred shares is as follows:

Director	Cash award £'000	Cash value of deferred shares award £'000	Total £'000
Alison Brittain	**290**	**348**	**638**
2015/16	96	117	214
Nicholas Cadbury	**188**	**234**	**422**
2015/16	144	176	320
Christopher Rogers	**62**	**64**	**126**
2015/16	172	211	384
Louise Smalley	**124**	**155**	**279**
2015/16	101	123	224

Annual report on remuneration continued

The deferred shares will, under normal circumstances, vest on 1 March 2020, subject to continued employment within the Group. No further performance conditions apply to these awards. Malus provisions apply to the deferred share awards in the event, for example, of a material misstatement of results with clawback provisions applying to the cash awards. The share price used to calculate the awards was the average closing price of a Whitbread share for the five business days preceding 1 March 2017 (i.e. 3,822.2 pence).

The number of deferred shares awarded to each director will be as follows:

Director	Number of deferred shares awarded 2017	Number of deferred shares awarded 2016
Alison Brittain	9,104	3,074
Nicholas Cadbury	6,128	4,600
Christopher Rogers	1,659	5,533
Louise Smalley	4,051	3,227

Long Term Incentive Plan
The amounts shown in the table on page 88 refer to the value of the LTIP awards made in 2014 and vesting in 2017.

The value given for the LTIP awards is based on the average market value over the last quarter of the financial year (3,844.4 pence), as the awards will not vest until after the date of this report.

The LTIP awards made to executives in 2014 were subject to EPS and ROCE measures on a matrix basis as shown below:

EPS growth above RPI per annum		ROCE 2016/17: 12%	13% (Threshold)	14%	15% (Sliding scale)	16%	17%	18% (Maximum)
	<4%	0%	0%	0%	0%	0%	0%	0%
Threshold	4%	0%	19%	19%	20%	22%	24%	25%
Sliding scale	6%	0%	37%	37%	40%	44%	50%	50%
	8%	0%	56%	56%	61%	66%	71%	75%
Maximum	10%	0%	75%	75%	82%	89%	96%	100%

The actual EPS growth achieved was RPI plus 9.4% with the 2016/17 ROCE, which is calculated using an average of the previous 13 months' net assets, being 15.3%. As a result, 76.5% of the shares awarded under the 2014 LTIP will vest. The awards vesting to the executive directors, each of which are subject to a one-year holding period (except for the award vesting to Alison Brittain, which is subject to a two-year holding period) are as follows:

Director	Number of shares vested 2017	Number of shares vested 2016
Alison Brittain	22,334	–
Nicholas Cadbury	10,255	22,106
Louise Smalley	6,688	14,416

Single total figure of remuneration (audited information) – Chairman and non-executive directors

Director	Base fee 2016/17 £'000	Base fee 2015/16 £'000	Senior Independent Director fee 2016/17 £'000	Senior Independent Director fee 2015/16 £'000	Fee as Chairman of a Board Committee 2016/17 £'000	Fee as Chairman of a Board Committee 2015/16 £'000	Fee as a member of a Board Committee 2016/17 £'000	Fee as a member of a Board Committee 2015/16 £'000	Total 2016/17 £'000	Total 2015/16 £'000
Richard Baker	350	350	–	–	–	–	–	–	350	350
David Atkins[1]	9	–	–	–	–	–	1	–	10	–
Wendy Becker[1]	48	55	–	–	–	–	8	10	56	65
Sir Ian Cheshire	57	55	15	10	–	–	5	5	77	70
Chris Kennedy[1]	57	–	–	–	8	–	–	–	65	–
Simon Melliss[1]	33	55	–	–	12	15	–	–	45	70
Deanna Oppenheimer[1]	9	–	–	–	–	–	1	–	10	–
Susan Taylor Martin	57	55	–	–	–	–	5	5	62	60
Stephen Williams	57	55	–	–	20	15	–	–	77	70

1 Fees for part year.

Pension
The percentage of salary or pension allowance received by the executive directors in pension contributions is shown in the table below.

Director	% of salary
Alison Brittain	25.0
Nicholas Cadbury	25.0
Christopher Rogers	27.5
Louise Smalley	25.0

Executives are able to elect to receive a monthly amount in cash (less an amount equal to the employer's national insurance contribution) in lieu of the pension contribution. Christopher Rogers and Alison Brittain elected to receive a cash payment, while Nicholas Cadbury and Louise Smalley each receive a pension contribution and a cash supplement representing the balance over and above the annual allowance set by HMRC for pension contributions. The percentage of salary or pension allowance received by Nicholas Cadbury and Louise Smalley will rise to 27.5% on 1 December 2017 and 1 November 2017 respectively. This is as a result of grandfathered terms.

Statement of directors' shareholding and share interests (audited information)
The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

The Chief Executive is required to build and hold a shareholding at least equal to 200% of salary, whilst the other executive directors are expected to reach a holding to the value of 125% of salary and other senior executives 75% of salary. Until they reach this level, executives are expected to retain 100% of vested awards (after the deduction of income tax, national insurance contributions and dealing fees). In addition, a newly appointed executive director is expected to build a shareholding in the Company in advance of any share awards vesting. The failure to adhere to these requirements may lead to the executive being excluded from participation in future share scheme awards. It should be noted that any vested LTIP awards subject to a holding period will not be counted for the purpose of calculating whether an executive has met his or her requirement. When determining whether a director has met the requirement, both the current market price and the price at the point the shares were acquired will be taken into consideration.

All of the executive directors except for Alison Brittain, who was appointed in September 2015, have already met the requirement. Alison has invested in excess of £1 million in the Company's shares from her own resources. Her first share scheme award is partially vested in April 2017, but is subject to a two-year holding period.

During 2014/15, shareholding requirements were introduced for the Chairman and the non-executive directors. They are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 2 March 2017:

	Counting towards requirement: Number of ordinary shares	Value based on purchase price £'000	Value based on market price £'000	Performance versus requirement: Shareholding requirement % of salary	% of salary based on purchase price	% of salary based on market price	Additional awards: Awards subject to performance conditions[1]	Awards not subject to performance conditions[2]
Chairman								
Richard Baker	15,802	381	607	100	109	174	–	–
Executive directors								
Alison Brittain	20,900	1,029	803	200	129	101	98,950	3,074
Nicholas Cadbury	24,410	1,006	938	125	186	174	40,876	20,792
Christopher Rogers*	51,028	2,383	1,962	125	442	364	52,689	32,295
Louise Smalley	41,236	1,531	1,585	125	429	444	28,016	8,802
Non-executive directors								
David Atkins	1,425	56	55	100	99	96		
Wendy Becker*	6,100	65	235	100	114	411		
Sir Ian Cheshire	2,245	107	86	100	188	151		
Chris Kennedy	1,500	61	58	100	108	101		
Simon Melliss*	3,000	41	115	100	73	202		
Deanna Oppenheimer	1,600[3]	66	62	100	115	108		
Susan Taylor Martin	1,490	50	57	100	87	100		
Stephen Williams	11,340	182	436	100	319	765		

*As at date of leaving
1 Includes outstanding LTIP awards for which performance has not yet been tested.
2 Includes unvested/unexercised deferred shares under the Annual Incentive Scheme and unexercised LTIP awards for which the performance targets have already been met.
3 Deanna Oppenheimer actually holds 3,200 ADRs in Whitbread PLC, each of which represent 0.5 of a Whitbread ordinary share.

Annual report on remuneration continued

There has been no change to the interests in the tables shown on page 91 between the end of the financial year and the date of this report. The column showing awards not subject to performance conditions does not include the deferred shares issued under the incentive scheme in 2017.

Please see tables below and on the following pages for details of LTIP awards, deferred shares and Sharesave options.

Long Term Incentive Plan ('the Plan') (audited information)

Potential share awards held by the executive directors under the Plan at the beginning and end of the year, and details of awards vesting during the year and their value, are as follows:

Director	4 March 2016	Awarded	Lapsed	Exercised	**2 March 2017[1]**	Conditional award granted	Performance period concludes	Market price at award pence	Date vested award exercised	Price at exercise pence	Monetary value of exercised award £'000
Alison Brittain[2]	29,196	–	–	–	**29,196**	01/03/15	02/03/17	5255.0	–	–	–
	29,196	–	–	–	**29,196**	01/03/15	01/03/18	5255.0	–	–	–
	–	40,558	–	–	**40,558**	01/03/16	28/02/19	4043.0	–	–	–
	58,392	40,558	–	–	**98,950**						–
Nicholas Cadbury	22,743	–	1,637	22,106	**–**	01/03/13	03/03/16	2554.0	01/07/16	3501.0	774
	13,406	–	–	–	**13,406**	01/03/14	02/03/17	4487.0	–	–	–
	11,317	–	–	–	**11,317**	01/03/15	01/03/18	5255.0	–	–	–
	–	16,153	–	–	**16,153**	01/03/16	28/02/19	4043.0	–	–	–
	47,466	16,153	1,637	22,106	**40,876**						774
Christopher Rogers[3]	24,953	–	701	–	**24,254**	01/03/13	03/03/16	2554.0	–	–	–
	15,040	–	–	–	**15,040**	01/03/14	02/03/17	4487.0	–	–	–
	12,696	–	–	–	**12,696**	01/03/15	01/03/18	5255.0	–	–	–
	52,689	–	701	–	**51,990**						–
Louise Smalley	14,832	–	416	14,416	**–**	01/03/13	03/03/16	2554.0	26/05/16	4279.0	617
	8,743	–	–	–	**8,743**	01/03/14	02/03/17	4487.0	–	–	–
	7,940	–	–	–	**7,940**	01/03/15	01/03/18	5255.0	–	–	–
	–	11,333	–	–	**11,333**	01/03/16	28/02/19	4043.0	–	–	–
	31,515	11,333	416	14,416	**28,016**						617

1 Or date of leaving.
2 Alison Brittain received two LTIP awards on joining the Company, each to the value of 175% of salary. The performance conditions for the first of these awards are aligned to the awards made to other executives in 2014 and the second of the awards have performance conditions aligned to the awards made to other executives in 2015. Although the awards were actually made on 11 December 2015, under the rules of the LTIP, the technical date of both awards is 1 March 2015 and the market price at award shown in the table above is therefore the price on 1 March 2015. The price used to calculate the awards was the average Whitbread share price for the five business days immediately preceding Alison's first day of employment, which was 4645.2 pence.
3 Christopher Rogers stepped down from the Board on 19 April 2016 and left the Company on 1 July 2016. He exercised his 2013 LTIP award over 24,254 shares on 3 May 2016 at a price of 3865.0 pence per share. His 2014 and 2015 LTIP awards lapsed when he left the Company. He now has no LTIP awards outstanding.

LTIP performance conditions – past awards

	Performance metrics
2013 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2015/16 of 12% to 17.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2014 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2016/17 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2015 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2017/18 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.
2016 award	Based on underlying basic EPS growth above RPI per annum of 4% to 10% on a sliding scale with a one-third multiplier based on ROCE in 2018/19 of 13% to 18.0%. ROCE also acts as a hurdle and is calculated using an average of the previous 13 months' net assets.

LTIP performance conditions – future awards

Details of the performance conditions for the awards to be made in 2017 can be found on page 98.

Annual Incentive Scheme ('the Scheme') (audited information)

At 2 March 2017 the directors held the following deferred shares under the Plan:

Name	Year of award	Balance at 4 March 2016	Awarded	Lapsed	Exercised	Balance at 2 March 2017[1]	Release date	Market price at award pence	Date award exercised	Market price at vesting pence	Monetary value of vested award £'000
Alison Brittain	2016	3,074	–	–	–	3,074	01/03/20	4043.0	–	–	–
	2017	–	9,104	–	–	9,104	01/03/20	3841.0	–	–	–
		3,074	9,104	–	–	12,178					–
Nicholas Cadbury	2013	3,672	–	–	3,672	–	03/03/16[2]	2554.0	01/07/16	3,501.0	129
	2014	8,246	–	–	–	8,246	01/03/17	4487.0	–	–	–
	2015	7,946	–	–	–	7,946	01/03/18	5255.0	–	–	
	2016	4,600	–	–	–	4,600	01/03/19	4043.0	–	–	
	2017	–	6,128	–	–	6,128	01/03/20	3841.0	–	–	–
		24,464	6,128	–	3,672	26,920					129
Christopher Rogers	2013	14,963	–	–	–	14,963	03/03/16[2]	2554.0	–	–	–
	2014	9,028	–	–	–	9,028	01/03/17	4487.0	–	–	–
	2015	8,304	–	–	–	8,304	01/03/18	5255.0	–	–	
	2016	5,533	–	–	–	5,533	01/03/19	4043.0	–	–	
		37,828	–	–	–	37,828					–
Louise Smalley	2014	5,377	–	–	5,377	0	01/03/17	4487.0	01/03/17	3,814.0	205
	2015	5,575	–	–	–	5,575	01/03/18	5255.0	–	–	–
	2016	3,227	–	–	–	3,227	01/03/19	4043.0	–	–	–
	2017	–	4,051	–	–	4,051	01/03/20	3841.0	–	–	–
		14,179	4,051	–	5,377	12,853					205

1 Or at date of leaving.
2 Under the rules of the Scheme awards cannot vest during a close or prohibited period. The normal release dates for the 2013 awards would have been 1 March 2016. However, as this date was during a prohibited period, the 2013 awards actually released on 3 March 2016.

The awards are not subject to performance conditions and will vest in full on the release date subject to the director remaining an employee of Whitbread at that date. If the director ceases to be an employee of Whitbread prior to the release date by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee the awards will be released in full. If the director ceases to be an employee of Whitbread for any other reason the proportion of award which vests depends upon the year in which the award was made and the date the director ceases to be an employee. If the director leaves within the first year after an award is made none of the award vests, between the first and second anniversary 25% vests and between the second and third anniversary 50% vests.

Annual report on remuneration continued

Share options (audited information)

Executive directors may participate in the Company's Savings-related Share Option Scheme (the Scheme), which is open to all employees on the same terms. The exercise periods shown below are the normal exercise periods at the date of grant. Actual exercise periods are subject to change in accordance with the rules of the Scheme if a director ceases to be employed by the Company. At 3 March 2016 the directors held the following share options under the Scheme, with the latest exercise date being July 2021. Savings-related share options have a six-month exercise period.

Director	Number of shares	Date of grant	Exercise price pence	Exercise date	Last exercise date
Alison Brittain	775	02/12/2015	3866.4	01/02/2021	31/07/2021
	775	**(775 at 03/03/2016)**			
Nicholas Cadbury	327	29/11/2013	2746.4	01/02/2017	31/07/2017
	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	583	**(583 at 03/03/2016)**			
Louise Smalley	256	02/12/2014	3507.2	01/02/2018	31/07/2018
	232	02/02/2015	3866.4	01/02/2019	31/07/2019
	488	**(958 at 03/03/2016)**			

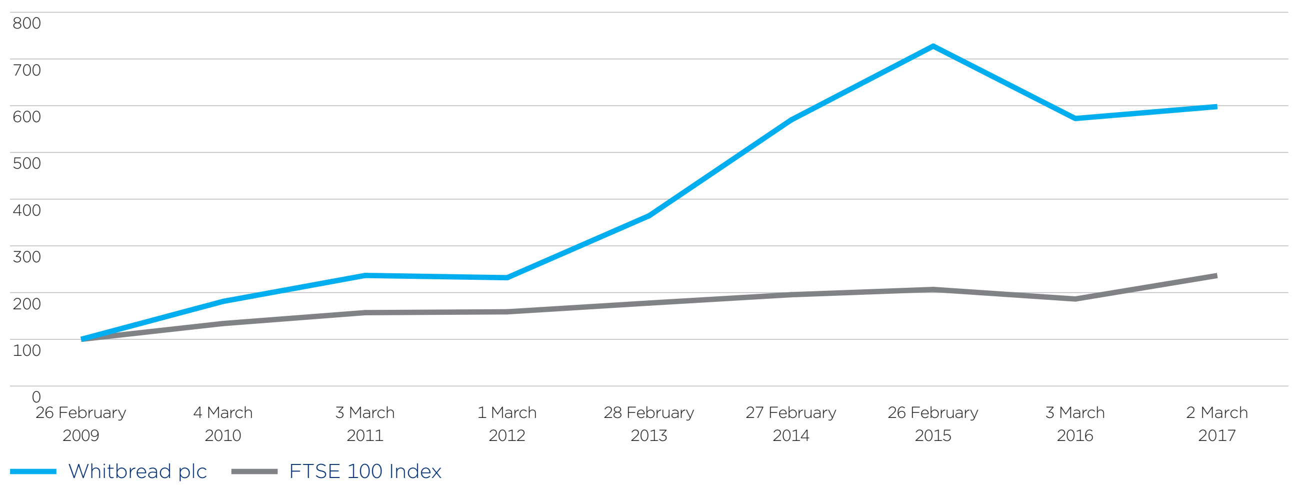
Options exercised (audited information)

The following options were exercised by executive directors under the savings-related share option scheme during the year.

Director	Number of shares	Exercise price pence	Exercise date	Market price on exercise pence	Monetary value of gain (£'000)
Louise Smalley	470	1913.6	08/08/2016[1]	3962.0	10

1 Although the exercise is shown as being 8 August 2016, Louise gave instructions to exercise to the administrator prior to the deadline of 31 July 2016, but the process is such that the actual exercises are carried out once every two weeks.

Total shareholder return



The corresponding chart looks at the value over eight years of £100 invested in Whitbread plc on 26 February 2009 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE 100.

Source: Thomson Reuters Datastream

Remuneration Committee discretion

During the year, it was announced that Christopher Rogers would step down from the Board on 19 April 2016 and leave the Company on 1 July 2016. The Committee exercised its discretion, in accordance with the approved policy, to apply partial 'good leaver' terms to Christopher. A disclosure under Section 403(2B) of the Companies Act 2006 was made on the Company's website and the details are as follows:

All payments are in line with the Company's stated remuneration policy for a good leaver (published in the Annual Report for 2013/14) and approved by the shareholders at the 2014 AGM.

Salary and benefits

Christopher will continue to receive normal salary and benefits, as provided under his service agreement, up to and including 1 July 2016.

Share awards for past and future performance

Directors Incentive Scheme: Christopher 's deferred shares will vest on their ordinary vesting date, being three years from the date of grant. He was granted 9,028 deferred shares in 2014 and 8,304 in 2015. These deferred shares were awarded as a result of performance under incentive schemes in prior years. He also will be entitled to a cash and deferred share award, subject to performance, for the 2015/16 financial year, to be agreed by the Remuneration Committee in April 2016, and for the part of the 2016/17 financial year for which he is employed, which will be agreed by the Remuneration Committee in 2017. Any new deferred shares awarded in 2016 or 2017 will not vest until 2019 or 2020 respectively.

LTIP: Unvested awards granted in 2014 and 2015 will lapse. The Remuneration Committee will determine in April 2016 the level at which the LTIP grant made to Christopher in 2013 (24,953 shares) will vest. No further grants will be made to Christopher under the LTIP.

Payments to past directors (audited information)

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Annual Incentive Scheme, the LTIP and the Savings-related Share Option Scheme, no other payments were made during the year to past directors.

Chief Executive's remuneration

The Chief Executive's remuneration (including base salary, benefits and annual incentive payment) decreased by 6.1% in the year, compared with an increase of 5.3% for the Group's employees as a whole.

The following table shows the Chief Executive's pay over the last eight years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum incentive achieved	% of LTIP award vesting
2016/17	**Alison Brittain**	**2,509**	**49.8**	**76.5**
2015/16	Alison Brittain	634	38.8	n/a
	Andy Harrison	2,423	38.8	97.2
	Combined	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14[1]	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8
2011/12	Andy Harrison	1,444	45.6	n/a
2010/11	Andy Harrison	534	94.4	n/a
	Alan Parker	2,509	94.4	82.4
	Combined	3,043	94.4	82.4
2009/10	Alan Parker	2,634	100.0	75.9

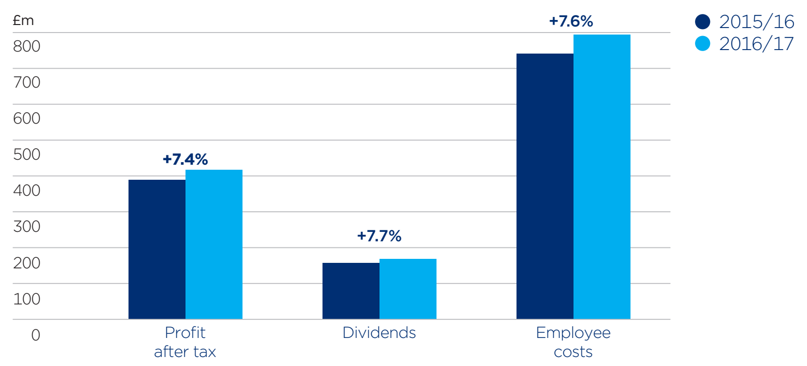
Fees from external directorships

The executive directors are entitled to retain fees from external directorships. Christopher Rogers is a non-executive director of Travis Perkins Plc and retained a fee of £8,541 up to the date he stepped down from the Whitbread Board in respect of that directorship. Louise Smalley is a non-executive director of DS Smith Plc and retained a fee of £55,233. Alison Brittain is a non-executive director of Marks and Spencer Plc and retained a fee of £70,000. Nicholas Cadbury was appointed as a non-executive director of Land Securities Group PLC on 1 January 2017 and retained a fee of £11,667.

Annual report on remuneration continued

Relative importance of spend on pay

The graph below compares the change in total expenditure on employee pay during the year to the changes in profit after tax and dividend payments.



Implementation of remuneration policy in 2016/17

Base salary

The executive directors will each receive a salary increase of 2%, which is in the same range as the general increase being given to employees across the Group.

The base salaries of the executive directors with effect from 1 May 2017 will be as follows:

Director	**Base salary at 1 May 2017 £'000**	Base salary at 1 May 2016 £'000
Alison Brittain	**811**	795
Nicholas Cadbury	**551**	540
Louise Smalley	**362**	357

Benefits

The benefits received by each executive director will continue to include family private healthcare and a cash allowance in lieu of a company car.

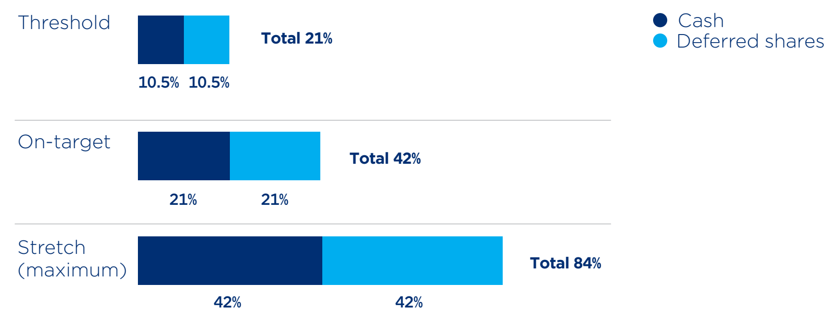
Annual Incentive Scheme

As explained earlier in the report, some changes have been made to the way in which the Annual Incentive Scheme will operate in 2017/18. The overall quantum of awards available to the executive directors has not changed and remains at 167% of salary at the maximum.

To be eligible to receive incentive payments there are 'gateway' requirements relating to both performance and leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that either profit performance is below 90% of target or the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and code of conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to earn further incentivised rewards.

In 2017/18, half of the total incentive available will be based on performance against a Group underlying profit before tax target. As explained on page 18, this profit target is commercially sensitive and, for that reason, is not disclosed in advance. The Committee intends to disclose the target retrospectively in the 2017/18 report.

Profit performance (% of salary)



Each executive director will be able to earn up to an additional 25% of the maximum based on WINcard measures. One measure will be operational team retention and the other will be a combination of Customer Heartbeat measures, made up of Premier Inn brand health, Costa net recommend and Restaurants net recommend. Only half of the maximum available in respect of these measures will be available for a 'green' WINcard score, with 75% of maximum payout available for achieving a stretch target beyond green and maximum payout requiring a new 'excel' level, to be achieved.

Each executive director also has three personal strategic objectives. They will be eligible to receive up to 25% of the maximum incentive opportunity based on the delivery of these objectives. Each objective will carry an equal weighting within that and achievement of the approved objective outcomes have been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. The table below shows a summary of the personal strategic objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 8 to 13) each objective is linked to:

	Strategic Priority
Alison Brittain	
Objective 1: Growth in Premier Inn rooms, Costa stores and Costa Express machines and like for like sales growth.	**1**
Objective 2: Growth in German hotel pipeline and progress in Costa China.	**2**
Objective 3: Achieve the in-year efficiency plan.	**3**
Nicholas Cadbury	
Objective 1: Successful launch of new financial controls framework system.	**3**
Objective 2: Delivery of improvements to Whitbread's IT infrastructure.	**3**
Objective 3: Achieve the in-year efficiency plan.	**3**
Louise Smalley	
Objective 1: Effective workforce planning for greater macro uncertainty.	**1**
Objective 2: Delivery of HR technology transformation.	**3**
Objective 3: Achieve the in-year efficiency plan.	**3**

Cash awards will be made in May 2018, with deferred equity issued in April 2018 and due to vest on 1 March 2021, with no further performance conditions applying.

Annual report on remuneration continued

Long Term Incentive Plan

The awards to be made in 2017 will be based on 200% of base salary for Alison Brittain and 125% of base salary for the other executive directors, calculated by reference to the average of the closing price of a Whitbread share for the five business days preceding 1 March 2017 (i.e. 3,822.2 pence). They will vest in April 2020, subject to the director's continued employment within the Group and satisfaction of the performance conditions. The awards will be subject to a two–year holding period post vesting.

The 2017 awards to the executive directors will be made following the AGM in June 2017.

In the event that the updated policy is approved, the awards will be subject to two independently operating performance conditions. 50% of each award will be dependent on the Group ROCE in 2019/20, with the threshold being 13% and maximum payout at 18%, with a sliding scale operating in between.

A further 50% of each award will be linked to an EPS growth target operating on a sliding scale between 4% per annum at threshold to 10% per annum at maximum.

The number of shares awarded under the LTIP to each director will be as follows:

Director	Number of shares awarded	Value of award £'000
Alison Brittain	41,599	1,590
Nicholas Cadbury	17,659	675
Louise Smalley	11,675	446

Non–executive directors fees

The base annual fee for non–executive directors is £57,000. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are £20,000. The fee for the Senior Independent Director is £15,000 and the fees for membership of the Audit and Remuneration Committees are £5,000.

Statement of shareholder voting

At the Annual General Meeting in 2016 the advisory resolution to approve the annual report on remuneration was passed. In total 121,702,536 votes were cast on the resolution, with 116,075,272 (95.38%) in favour and 5,627,264 (4.62%) against. There were 1,893,034 votes withheld.